

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 AF-06 ISO-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

PA-01 PRS-01 /110 W

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R 100649Z FEB 76

FM USINT BAGHDAD

TO SECSTATE WASHDC 2791

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 1 OF 2 BAGHDAD 0157

PARIS FOR CIEC DELEGATION

E.O. 11652: GDS

TAGS: ENRG

SUBJ: CIEC: IRAQI POSITION

REF: STATE 020560, STATE 12373, STATE 9962

1. SUMMARY: IRAQ WILL TAKE NATIONALISTIC LINE AT CIEC EMPHASIZING IMPORTANCE OF ALL COUNTRIES CONTROLLING THEIR OWN NATIONAL RESOURCES. IRAQ WILL ALSO DEFEND HIGH PRICES FOR OIL. IRAQIS MAY MAKE SOME COMPROMISES IN THEIR POSITION IN ORDER TO MAINTAIN UNITY WITH OTHER ARAB OIL PRODUCERS AND WITH LDCS.

2. REFTELS WERE DELAYED IN REACHING BAGHDAD, BUT I WAS ABLE TO MEET WITH ACTING DIRECTOR OF ECONOMIC DEPT OF FONMIN, I MET KETTAHEH, ON FEB 9 TO DISCUSS CIEC AND A VARIETY OF OTHER ECONOMIC ISSUES, I LEFT WITH AIDE MEMOIRE SUMMARIZING USG POSITION AT  
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KINGSTON, JAMAICA AND ON PJWN, DRAWING ON REFS B AND C.

I ALSO LEFT A COPY OF THE SECRETARY'S PRESENTATION AT PARIS CIEC MEETING IN DECEMBER.

3. I TOLD KETANEH THAT THESE DOCUMENTS SUMMARIZED CURRENT USG POSITION ON CIEC AND OTHER INTERNATIONAL ECONOMIC ISSUES AND SAID I WOULD BE INTERESTED IN IRAQ'S POSITION IN THE VARIOUS ISSUES THAT WERE LIKELY TO COME UP DURING THE COURSE OF THE CIEC DISCUSSIONS. KETTANEH MADE THE FOLLOWING POINTS IN REPLY:

A) IRAQ WOULD PUSH STRONGLY FOR INDEXING CRUDE OIL PRICES TO

COMPENSATE FOR INFLATION AND EXCHANGE RATE FLUCTUATIONS.

B) IRAQ WOULD INSIST ON THE RIGHT OF EACH COUNTRY TO CONTROL ITS OWN RESOURCES AND ADJUDICATE TRADE AND INVESTMENT DISPUTES WITHIN ITS OWN LEGAL SYSTEM.

C) IRAQ WAS NOT INTEREST IN FOREIGN INVESTMENT IN IRAQ NOR IN INVESTING ITS OWN CAPITAL OUTSIDE OF IRAQ.

D) IRAQ INSISTED THAT OPEC AID TO LDCS WAS A MATTER BETWEEN OPEC AND THE LDCS. IRAQ DID NOT BELIEVE THIS WOULD BE DISCUSSED IN PRESENCE OF DEVELOPED COUNTRIES, WHOSE LEVEL OF AID TO THE LDCS, IN ANY CASE, WAS NOW CONSIDERABLY BELOW LEVEL GRANTED BY OPEC COUNTRIES.

E) IRAQ BELIEVED THAT INDUSTRIAL NATIONS HAD OVER-EMPHASIZED EFFECT OF INCREASED OIL PRICES ON WORLD INFLATION WHICH WAS CAUSED PRIMARILY BY MISGUIDED INTERNAL FISCAL POLICIES OF INDUSTRIAL STATES. LIKEWISE, INDUSTRIAL NATIONS HAD OVER-EMPHASIZED EFFECT OF HIGH OIL PRICES ON LDC'S BALANCE OF PAYMENT PROBLEMS. THESE PROBLEMS WERE CAUSED BY A VARIETY OF FACTORS INCLUDING SHARP RISES IN PRICES OF FOOD AND CAPITAL GOODS PRODUCED BY WESTERN COUNTRIES.

F) WHILE INTERESTED IN EXPLORING POSSIBILITIES OF LINKING SECURITY OF CRUDE OIL SUPPLY TO SECURITY OF MARKETS, IRAQ WOULD WANT TO RETAIN CONTROL OVER ITS OIL SUPPLIES AND WOULD NOT COMPLETELY RULE OUT POLITICAL FACTORS IN DETERMINING FUTURE DISPOSITION OF ITS OIL RESOURCES.

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4. I TOLD KETTANEH THAT USG WAS INTERESTED IN PRACTICAL SOLUTIONS TO WORLD-WIDE ECONOMIC PROBLEMS AND HOPED THAT CIEC WOULD BE USED TO ACHIEVE CONSTRUCTIVE RESULTS ON SPECIFIC ISSUES AND NOT BE USED AS A PROPAGANDA FORUM. KETTANEH SAID THAT THE EVOLUTION IN THE USG POSITION OVER THE PAST TWO YEARS HAD BEEN NOTED AND APPRECIATED IN THE GOI. THE GOI IS ALSO INTERESTED IN PRACTICAL RESULTS, ALTHOUGH WE SHOULD NOT EXPECT ALL PROPAGANDA

(ON ALL SIDES) TO TERMINATE OVERNIGHT. KATTANEH SAID THAT HE EXPECTED THE PROCEEDINGS TO BECOME LESS PROPAGANDISTIC AND MORE PRACTICAL AS THEY MOVED DOWN TO COMMITTEE LEVEL.

5. FROM KATTANEH'S COMMENTS AND PUBLIC POSITIONS TAKEN BY GOI ON ECONOMIC ISSUES, I WOULD EXPECT IRAQ TO PURSUE A HIGHLY NATIONALISTIC LINE AT CIEC. THESM WILL BE PARTICULARLY SENSITIVE TO WHAT THEY PERCEIVE AS EFFORTS OF INDUSTRIAL POWERS TO LIMIT THEIR FREEDOM OF ACTION IN DISPOSING OF THEIR OWN RESOURCES. THEY WILL PROBABLY CONTINUE TO COUCH THEIR ARGUMENTS IN PROPAGANDISTIC TERMS CALLING FOR RADICAL YNLUTICSTEND ATTACKING "ECONOMIC IMPERIALISM" OF WEST.

6. AT SAME TIME, IRAQI REGIME TENDS TO TEMPER ITS PROPAGANDS WITH STRONG DOSES OF ECONOMIC PRAGMATISM WHENEVER IT PERCEIVES SOME ADVANTAGE I DOING SO. THEY MAY THUS BE INTRIGUED WITH PROPOSALS PROVIDING GUARANTEED MARKETS FOR IRAQI OIL IN RETURN FOR GUARANTEED SECURITY OF SUPPLY. IRAQ MAY ALSO MAKE SOME SOMPROMISES ON SPECIFIC ISSUES WITH OTHER ARAB OPEC STATES AND WITH LDCS IN ORDER TO MAINTAIN COMMON FRONT. IN CASE OF OTHER ARAB OPEC STATES, WE WOULD EXPECT IRAQ MIGHT COMPROMISE SOME OF ITS MORE REGID SOCIALIST IDEOLOGY ON SUCH ISSUES AS DEVELOPEMENT OF WESTERN TYPE FINANCIAL INSTITUTIONS IN ARAB WORLD. IN CASE OF LDCS SOME COMPROMISE MIGHT BE NECESSARY ON ISSUE OF APPROPRIATENESS OF CIEC AS FORUM TO DISCUSS AID TO LDCS, AN ISSUE OF OBVIOUS IMPORTANCE TO LDCS.

7. ON ISSUES INVOLVING TRANSFER OF TECHNOLOGY, IRAQ WILL WELCOME WESTERN TECHNOLOGY IN ITS OWN COUNTRY OR IN LDCS AS LONG AS IT IS NOT LINKED TO FOREIGN OWNERSHIP OR CONTROL OF NATIONAL ASSESS. IRAQIS WILL THEREFORE BE SKEPTICAL OF THREE PARTY ARRANGEMENTS IF SUCH ARRANGEMENTS GIVE SUPPLIES OF TECHNOLOGY, I.E. THE WEST, ANY PRECEPTIBLE CONTROL OVER SELECTION AND EXECUTION OF CONFIDENTIAL

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PROJECTS. IRAQ WOULD PREFER TO SELECT PROJECTS ON BILATERAL BASIS WITH LDCS AND THEN HIRE WESTERN TECHNOLOGY AS NEEDED TO CARRY THEM THUR.

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INFO OCT-01 EUR-12 AF-06 NEA-10 ISO-00 FEA-01 ERDA-05

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C O N F I D E N T I A L SECTION 2 OF 2 BAGHDAD 0157

8. ON QUESTION OF OIL, I SEE LITTLE HOPE THAT IRAQ WOULD EVER WILLINGLY AGREE TO SUBSTANTIALLY LOWER PRICES. THEY ARE CONVINCED THAT PREVIOUS PRICES WERE UNREASONABLY LOW AND MAJOR UPWARD PRICE ADJUSTMENTS WERE LONG OVERDUE. THEIR DEVELOPEMENT PLANNING INCLUDES FULL USE OF OIL REVENUES, AND THEY DO NOT PLAN TO ACCUMULATE AN INVESTIBLE SURPLUS. LIFE IN IRAQ IS STILL FAIRLY GRIM FOR MOST IRAQIS AND THE REGIME NO DOUBT SEES ITS OWN FUTURE IN TERMS OF WHETHER IT CAN DELIVER ON ITS PROMISES FOR A HIGHER STANDARD OF LIVING. TO EXTENT THAT IRAQ COULD RAISE OIL PRICES WITHOUT SHARPLY REDUCING ITS LEVEL OF SALES, IT WOULD BE INCLINED TO DO SO, AT SAME TIME, IRAQ IS NOT BOVE PRICE SHAVING IF THIS WILL INCREASE ITS TOTAL OIL REVEKS BY EXPANDING ITS SALES AT EXPENSE OF OTHER PRODUCERS. ARGUMENTS CONCERNING THE EFFECT OF HIGH OIL PRICES ON THE WORLD ECONOMY WILL CARRY LITTLE WEIGHT UNLESS THEY CAN BE MADE IN CONTEXT OF DIRECT EFFORTS ON THE IRAQI ECONOMY.

9. KETTANEH GAVE ME FOLLOWING LIST OF IRAQI DELEGATES TO CIEC.  
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HE WAS NOT ABLE TO SPECIFY THEIR COMMITTE ASSIGNMENTS.

SADIQ MAHDI MINISTRY OF PETROLEUM

DR. FA

Q ABDUL RASSOUL CENTRAL BANK

BURHAN MOHAMMED NURI MINISTRY OF EXTERAL TRADE

FAROUQ ZIADEH            FOREIGN MIMPSTRY (PETROLEUM SECTION  
                                 OF ECONOMIC DEVELOPEMENT)  
SAMIH ATTOU            CENTRAL BANK  
ABDUL AZIZ AL KHATIS    MINISTRY OF PETROLEUM  
AHMAD JIAD            MINISTRY OF PETROLEUM.  
WILEY

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## Message Attributes

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